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Two California Men Plead Guilty In "Far-Reaching And Elaborate" Automobile Export Scam

FOR IMMEDIATE RELEASE

April 29, 2013

CONCORD, N.H. – Frank Hsiao Chien Ku, 31, of San Gabriel, California, and Danny Chin Hao Hsu, 33, of West Covina, California, have plead guilty to federal mail fraud charges and violations of U.S. Customs laws for their roles in an illegal scheme to purchase new, high-end motor vehicles under false pretenses, title and register them in New Hampshire, and unlawfully export them to China for resale at a substantial profit, announced United States Attorney John P. Kacavas.

Under U.S. Customs laws and regulations, the export of new motor vehicles is prohibited. As a result, most dealerships are contractually prohibited by the manufacturer from selling new automobiles intended for export, and dealerships are required to prevent such sales or suffer financial and other penalties imposed by the manufacturer. One method dealerships often use to ensure the sale of new motor vehicles for domestic use only is a "no-export agreement" signed by the purchaser, prohibiting the vehicle's export for a certain period of time. The defendants and their agents engaged in an elaborate fraud to circumvent these export prohibitions.

According to charges unsealed today, from October 2009 to March 2012, the defendants operated a San Gabriel, California company, CFLA, Ltd., that financed the purchase of new automobiles from dealerships in New Hampshire and elsewhere on the pretext that the automobiles were intended for domestic use only. The scheme required the defendants and their agents in California to obtain New Hampshire driver's licenses in their own names or those of others, using fabricated leases and utility bills to falsely establish residency in New Hampshire. Once the defendants and their non-resident agents obtained New Hampshire driver's licenses, they purchased luxury automobiles at dealerships in New Hampshire and other states, signing "no-export" declarations attesting that the automobiles were not intended for export. In order to reinforce the false impression that the non-resident agents were residents of New Hampshire, the defendants caused monies to be transferred from a CFLA, Ltd. bank account in California to a bank account in New Hampshire for use in purchasing the motor vehicles. In addition to employing non-resident agents, the defendants also employed New Hampshire residents to act as straw buyers, purchasing new luxury automobiles in their own names for the benefit of the defendants and CFLA, Ltd.

Once the defendants, their agents, or the straw buyers purchased the new motor vehicles, the defendants had the vehicles transported directly from a dealership to the port of Long Beach, California for export to China. With respect to those motor vehicles purchased from out-of-state dealerships, the vehicle itself never physically entered the State of New Hampshire. Meanwhile, the defendants fraudulently registered the vehicles in New Hampshire, or caused them to be fraudulently registered in New Hampshire, using the fraudulently obtained driver's licenses and New Hampshire straw buyers as proof of residency. They also filed fraudulent title applications in their own names with the New Hampshire Division of Motor Vehicles (NH-DMV), and caused to be filed fraudulent title applications in the names of the non-resident agents and New Hampshire straw buyers. The defendants then caused the fraudulently obtained titles issued by the NH-DMV to be forwarded to California for filing with U.S. Customs, together with other export documentation known as a "Shipper's Export Declaration," or SED. Taken together, the title and the SED made it falsely appear that the motor vehicles involved were used and, therefore, lawfully exportable to China.

Altogether, the defendants' scheme involved ninety-three (93) motor vehicles, fourteen (14) of which were seized at the port of Long Beach before they were exported. The total value of those 14 vehicles exceeds \$750,000.00. In their plea hearings, the defendants admitted that they defrauded motor vehicle dealerships in New Hampshire and elsewhere, obtained or caused to be obtained New Hampshire drivers' licenses, automobile titles and registrations by deception, and violated U.S. Customs laws and regulations by using SED's to further their unlawful activities.

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In announcing the charges, U.S. Attorney Kacavas said, "The defendants' scheme and others like it seek to exploit New Hampshire's lack of sales tax and compulsory automobile insurance in order to maximize their ill-gotten gains. In addition to defrauding the N.H. Division of Motor Vehicles, and diverting valuable federal and state law enforcement resources to identify, disrupt and dismantle such illegal export rings, out-of-state scammers like the defendants pursue a quick buck at the expense of New Hampshire's businesses and citizens. Dealers that are duped into selling new motor vehicles to an exporter may suffer manufacturer-imposed "charge-backs" for each vehicle unwittingly sold and unlawfully exported, reductions in future vehicle allocations and inventory, and the loss of service-generated revenue, all of which has a negative impact on a dealership's sales and service workforce and, ultimately, its viability. Federal law enforcement will continue to partner with the N.H. State Police and the Division of Motor Vehicles to bring such scammers to justice and ensure that New Hampshire remains an inhospitable venue for their illegal trade."

U.S. Attorney Kacavas wishes to thank Special Agent-in-Charge Bruce Foucart of the U.S. Department of Homeland Security, Homeland Security Investigations, Commissioner John Barthelmes of the New Hampshire Department of Safety, Colonel Robert Quinn of the New Hampshire State Police, and Director Richard Bailey, Jr., of the Division of Motor Vehicles for their close cooperation in the investigation of this case, which is being prosecuted by Assistant U.S. Attorney Michael J. Gunnison.

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